

# STITES & HARBISON PLLC

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November 2, 2009

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NOV 02 2009

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**HAND DELIVERED**

PUBLIC SERVICE  
COMMISSION

Jeff R. Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: Application for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Three Major Even Storms in 2009 P.S.C. Case No. 2009-00352

Dear Mr. Derouen:

Please find enclosed and accept for filing the original and seven (7) copies of Kentucky Power's Responses to Commission Staff's Supplemental Data Requests.

A copy of the response is being served on counsel for Kentucky Industrial Utility Customers, Inc. and the Attorney General with a copy of this letter.

Sincerely,

STITES & HARBISON, PLLC



Mark R. Overstreet

MRO

Enclosure

cc: Dennis G. Howard, II  
Michael L. Kurtz

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PUBLIC SERVICE  
COMMISSION

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE**

**PUBLIC SERVICE COMMISSION OF KENTUCKY**

**IN THE MATTER OF**

**APPLICATION OF KENTUCKY POWER )  
COMPANY FOR AN ORDER APPROVING )  
ACCOUNTING PRACTICES TO ESTABLISH )  
REGULATORY ASSETS AND LIABILITIES )Case No. 2009-00352  
RELATED TO THE EXTRAORDINARY )  
EXPENSES INCURRED BY KENTUCKY )  
POWER COMPANY IN CONNECTION WITH )  
THREE MAJOR EVENT STORMS IN 2009 )**

**KENTUCKY POWER COMPANY**

**RESPONSES TO COMMISSION STAFF'S SUPPLEMENTAL DATA  
REQUESTS**

**November 2, 2009**

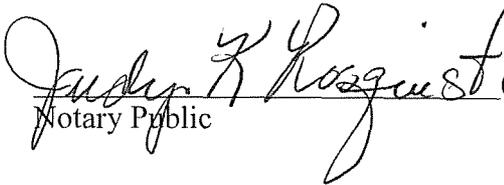
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
COUNTY OF FRANKLIN ) CASE NO. 2009-00352

The undersigned, **Errol Wagner**, being duly sworn, states he is the Director of Regulatory Services for Kentucky Power Company, that he has personal knowledge of the matters set forth in the Data Responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
ERROL K. WAGNER

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2<sup>nd</sup> day of November 2009.

 (SEAL)  
Notary Public

My Commission Expires:

January 23, 2013



## **Kentucky Power Company**

### **REQUEST**

Refer to items 3.a. and 3.b. of Kentucky Power's Response to Commission Staff's First Data Requests. Kentucky Power has stated that the covered damage did not exceed the Company's insurance deductible.

- a. Provide the amount of Kentucky Power's deductible related to its property and casualty insurance.
- b. What is the annual cost of Kentucky Power's property and casualty insurance for 2009?

### **RESPONSE**

- a. For property insurance for its substations and generating stations and for all transmission and distribution facilities within 1,000 ft. of these stations and substations, the deductible ranges from \$1 million to \$5 million depending upon the specific equipment.
- b. The annual cost of property insurance for the period July 1, 2009 - July 1, 2010 is \$15,877,282, of which \$403,265 was allocated to Kentucky Power Company.

**WITNESS:** Errol K Wagner



## **Kentucky Power Company**

### **REQUEST**

Refer to item 3.d. of Kentucky Power's Response to Commission Staff's First Data Request. Kentucky Power has stated that the amount of \$2.1 million is included in base rates for storm-related expenses. Given that this amount is included in base rates and that Kentucky Power has incurred \$6.1 million in storm damage through September 30, 2009 in addition to damage incurred in the three major events, explain why it is reasonable to deduct both the non-incremental operations and maintenance costs of \$1.9 million and the \$2.1 million included in base rates from its total major storms expense.

### **RESPONSE**

The \$1,974,642 represents normal O&M expenses incurred by the Company. That amount would have been incurred even in the absence of the Major Storm Events, and includes the costs associated with regular employees time and regular contractor crews time (line personnel and tree trimming) who were diverted from their normal daily tasks as a result of the Major Storm Event. These amounts are included in the Company's base rates – but not as part of the \$2.1 million in Major Storm Event expense included in base rates.

The \$2,116,867 is the value of the Company's Major Storm Event expense included in the Company's base rates. By definition these expenses do not include any normal O&M expense.

In sum, it is reasonable to deduct both amounts because they do not include any overlapping expenses and each is being recovered independently of the other through the Company's base rates.

**WITNESS:** Errol K Wagner